



2003 Financial Results

(US GAAP)

Vice-president
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Economic Environment

Economic Environment	2003	2002
<u>Domestic Market</u>		
Realized oil (\$/bbl)	8.53	8.28
Realized refined products (\$/ton)	168.50	146.14
Inflation (%)	12.0%	15.1%
Ruble appreciation against USD (%)	20.2%	9.1%
Transportation expenses / sales (%)	9.2%	9.2%
Taxes other than income taxes / sales (%)	24.3%	25.7%
<u>International Market</u>		
Realized oil (\$/bbl)	24.73	21.95
Realized refined products (\$/ton)	278.87	236.85

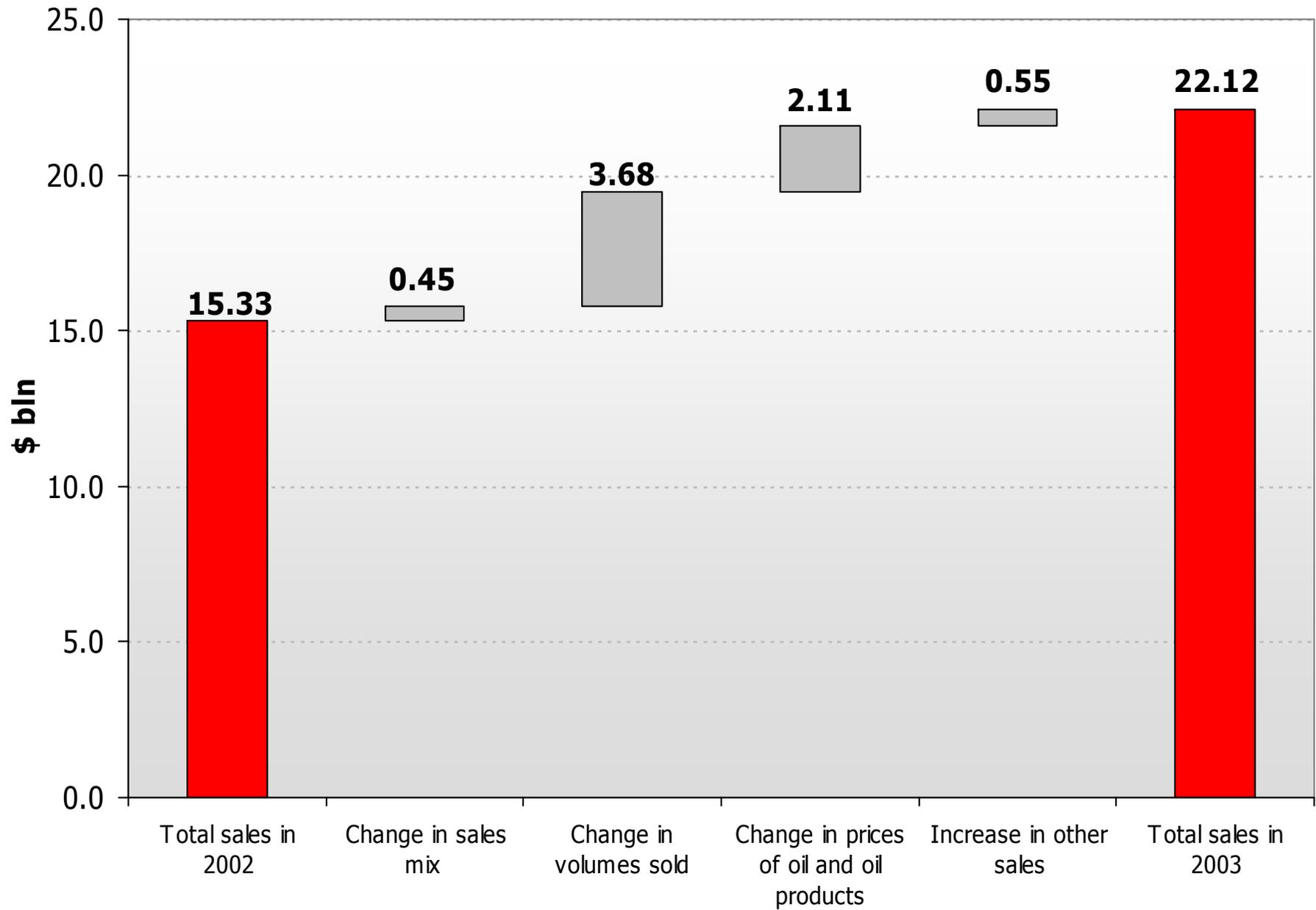


Financial Results

Financial results (mln USD)	2003	2002
Total revenue	22,299	15,449
Operating expenses	(2,546)	(2,403)
Taxes other than income taxes (including excise and export tariffs)	(2,456)	(1,972)
Income from operating activities	4,587	2,662
Income before income tax	4,576	2,582
Net Income	3,701	1,843
Basic earnings per share	4.36	2.26
EBITDA	5,630	3,468



Sales Reconciliation





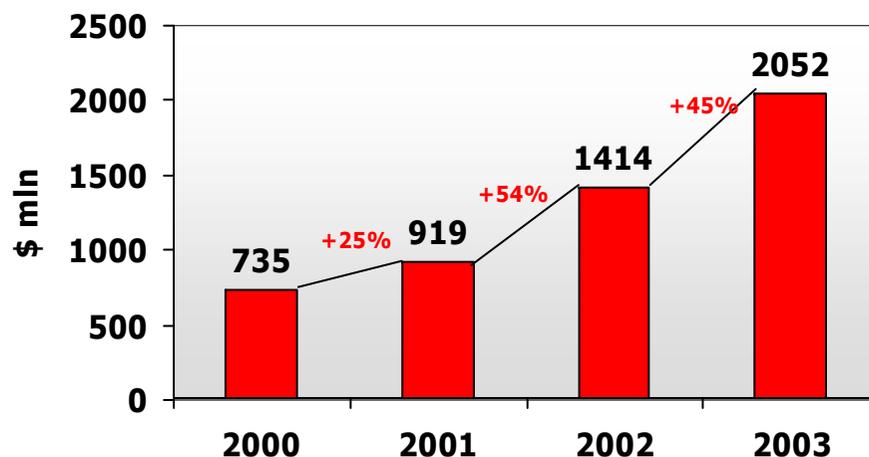
Sales Breakdown

Sales breakdown	2003	2002
Export sales and sales on international markets to total volume of sales	73.1%	66.0%
Refined products to total volume of sales	55.5%	57.0%
Share of oil products in total export volumes and international sales	47.4%	49.4%
Share of oil products in total export sales and international sales	58.1%	58.9%
Sales in mln USD	2003	2002
International sales of crude oil (non-CIS)	6,411	4,171
Sales of crude oil within CIS	433	165
Sales of crude oil within Russia	374	469
International sales of refined products	9,480	6,225
Sales of refined products within Russia	3,450	2,883
International sales of petrochemicals	671	392
Sales of petrochemicals within Russia	251	134
Other sales	1,048	895
Total sales oil and oil products	22,118	15,334



SG&A and Transportation Expenses

Transportation Expenses



Over the last 3 years LUKOIL's transportation expenses increased by 2.8 times while transportation volumes raised only by 40%



Pipeline:
volumes transported: +13%
tariff: +19%



Railroad:
volumes transported: +10%
tariff: +20.2%



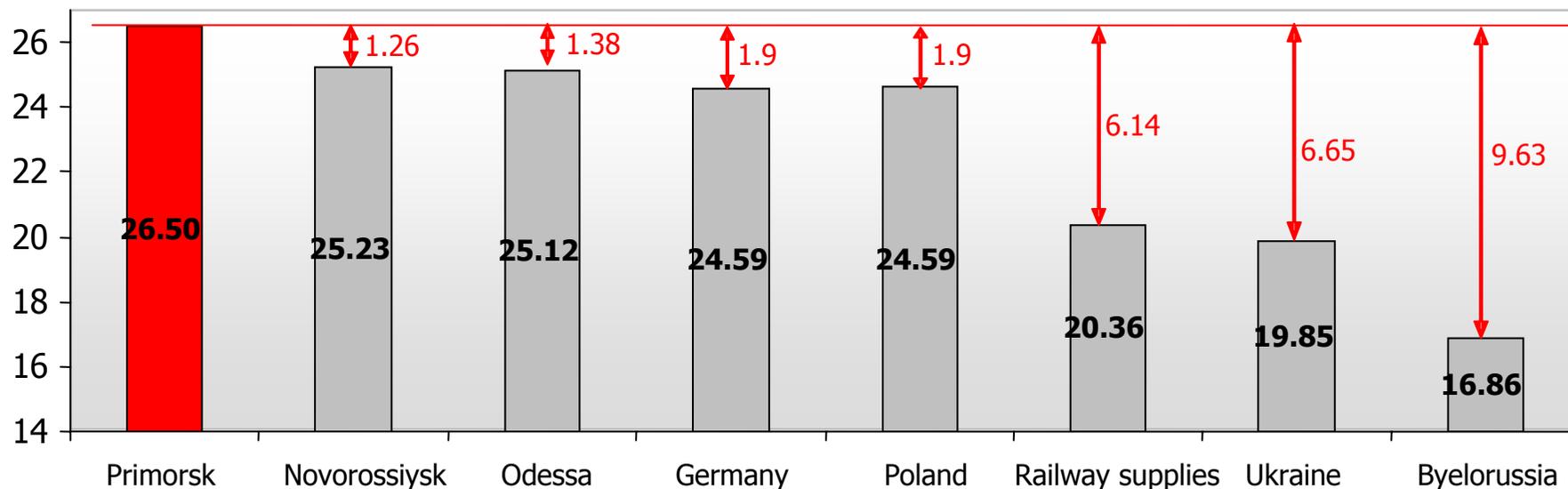
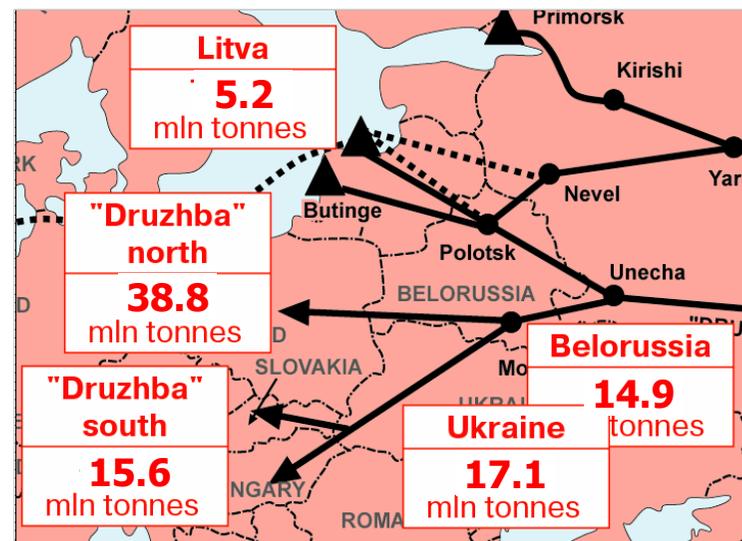
Sea transport:
volumes transported: -3%
tariff: +50.5%

Selling, general and administrative expenses (mln USD)	2003	2002
Transportation expenses	2,052	1,414
Other selling, general and administrative expenses	1,800	1,313
Total SG&A	3,852	2,727



Low Diversification Causes Losses

- Monopoly of "Druzhba" pipeline crude oil consumers and limitation of other export directions causes export revenues losses of up to \$2.8 bln pa
- Export of petroleum products comparing to crude oil export causes sales decrease of about \$2 bln pa due to the higher transportation costs for petroleum products and lower price for them (comparing to crude oil)
- Total losses of oil industry amount to over \$8-10 bln pa, losses of the state budget – about \$4 bln pa



* Average prices for 2003.

Sources: Petroleum Argus, Ministry of Energy.

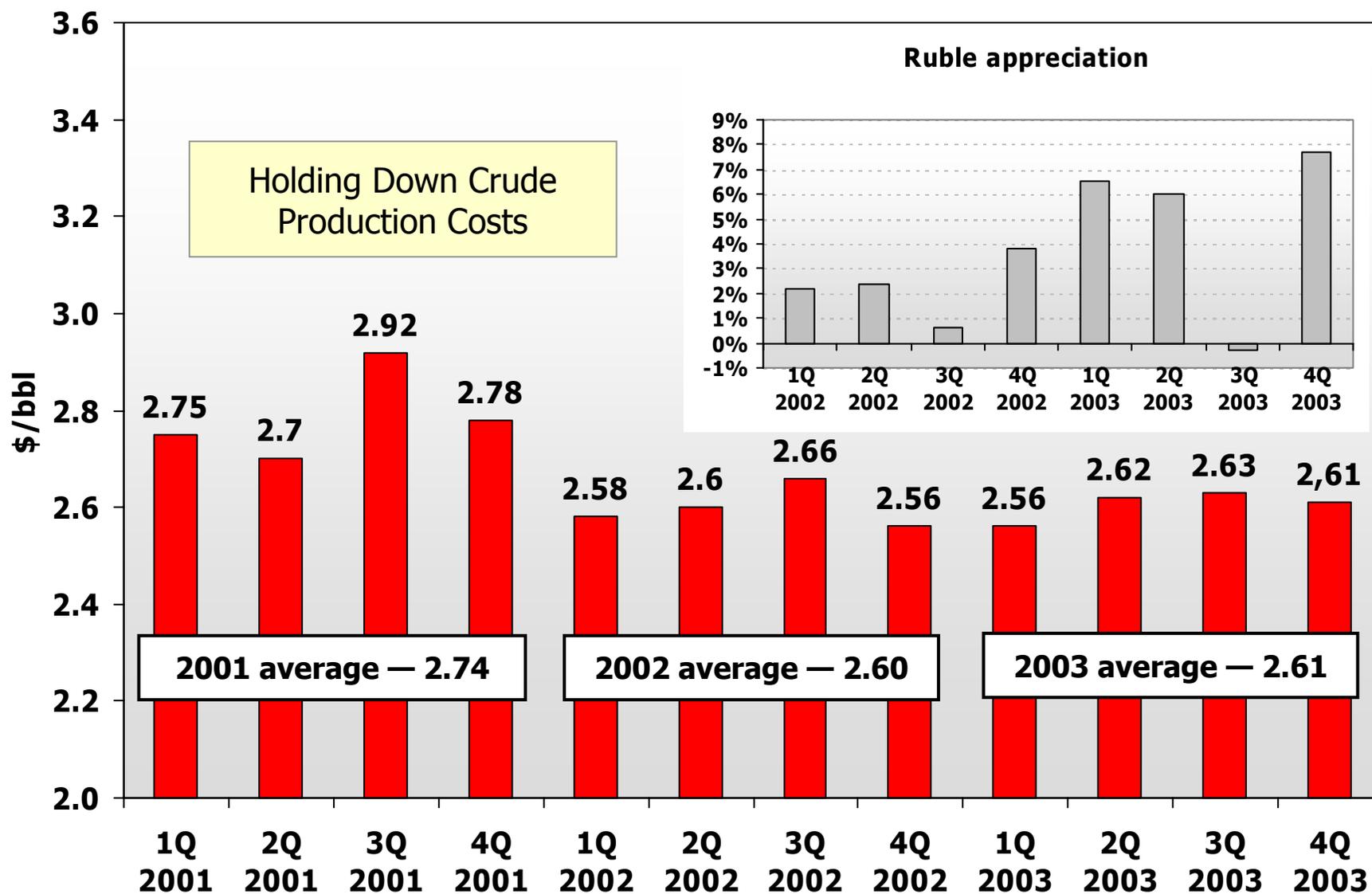


Operating Expenses

Operating expenses (mln USD)	2003	2002
Extraction expenses	1,458	1,355
Refinery expenses	479	417
Processing cost on the affiliated refinery	—	131
Other operating	609	500
Total	2,546	2,403
Cost of purchased crude oil, petroleum and chemical products	5,909	2,693



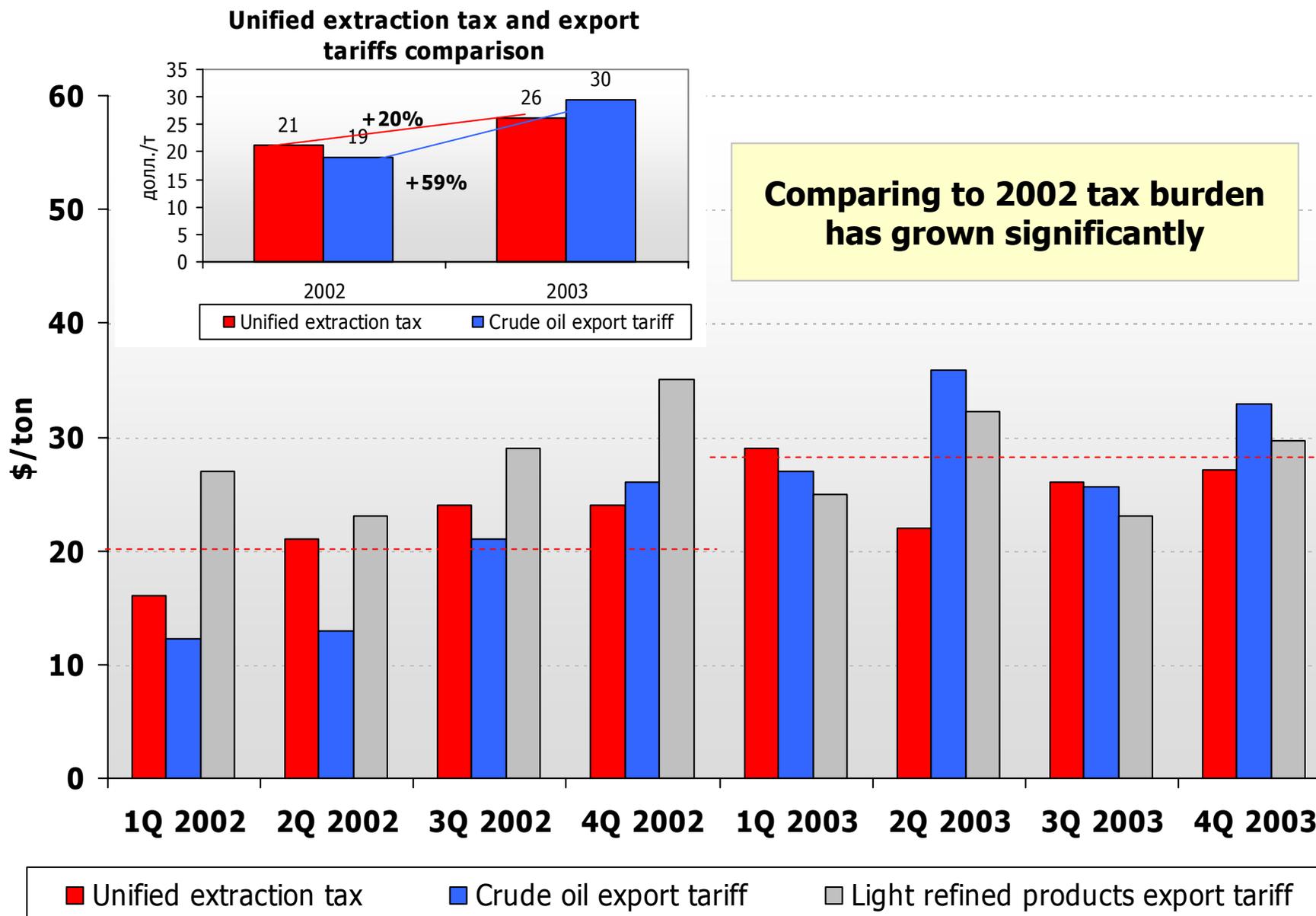
Holding Down Crude Production Costs* In Spite of Ruble Appreciation



* Exploration and production costs, including lifting costs, maintenance and repair of expensed wells, insurance and other costs; excluding taxes and depreciation. Calculated in accordance with US GAAP data.

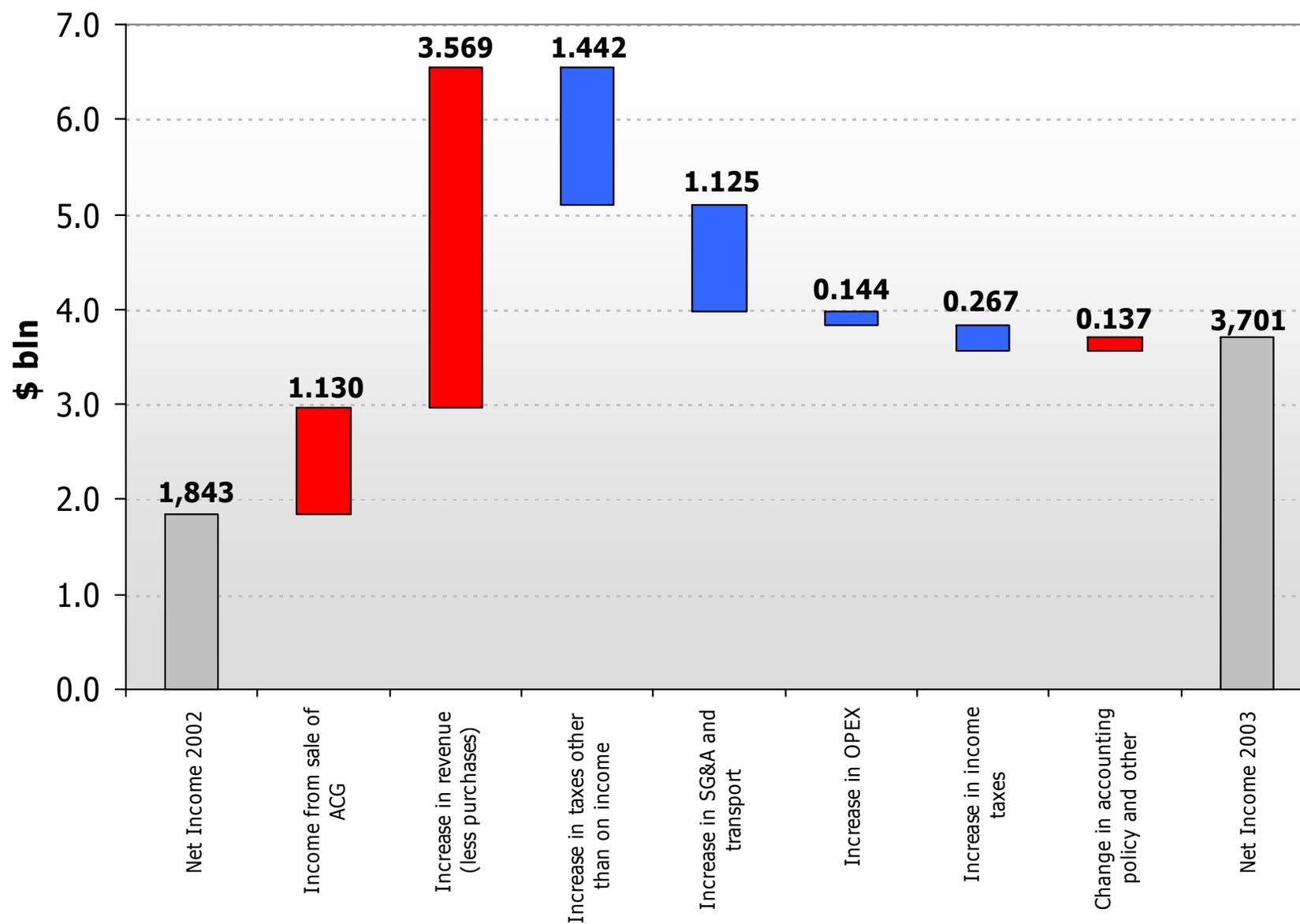


Growth of Tax Burden





Net Income Reconciliation





Capex Breakdown

Capital expenditures (mln USD)	2003	2002
Exploration and production	1,784	1,411
<i>Russia</i>	<i>1,537</i>	<i>1,078</i>
<i>International</i>	<i>247</i>	<i>333</i>
Refining / Marketing and distribution and other	1,234	793
<i>Russia</i>	<i>960</i>	<i>683</i>
<i>International</i>	<i>274</i>	<i>110</i>
Total (cash and non-cash)	3,018	2,204



Company's Strategy



- **Increase revenues**

- increase volume of oil extracted
- increase volume of refined products
- increase export of crude oil and refined products



- **Decrease expenses**

- shut-in inefficient (low-producing) wells
- put into operation new high-producing wells
- use effective and efficient service companies



- **Increase efficiency of investments**

- development of export infrastructure
- purchase new oil and gas reserves at the lowest possible price
- increase number of high-producing wells
- divesting of non-core assets



Forward Looking Statements

- Certain statements in this presentation are not historical facts and are “forward-looking.” Examples of such forward-looking statements include, but are not limited to:
 - projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
 - statements of our plans, objectives or goals, including those related to products or services;
 - statements of future economic performance; and
 - statements of assumptions underlying such statements.
- Words such as “believes,” “anticipates,” “expects,” “estimates”, “intends” and “plans” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.
- By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, including our ability to execute our restructuring and cost reduction program.
- When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.